

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF WOOD CREEK WATER )  
DISTRICT FOR APPROVAL OF A PROPOSED ) CASE NO.  
INCREASE IN RATES FOR WATER SERVICE ) 2011-00209

NOTICE OF FILING OF COMMISSION STAFF REPORT

Notice is hereby given that, in accordance with the Commission's Order of September 6, 2011, the attached report containing the findings and recommendations of Commission Staff regarding the Applicant's proposed rate adjustment has been filed in the record of the above-styled proceeding.

  
\_\_\_\_\_  
Jeff Derbuen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED OCT 10 2011

cc: Parties of Record

STAFF REPORT  
ON  
WOOD CREEK WATER DISTRICT  
CASE NO. 2011-00209

Pursuant to a request by Wood Creek Water District ("Wood Creek") for assistance with the preparation of a rate application, Commission Staff ("Staff") performed a limited financial review of Wood Creek's test-period operations for the calendar year ending December 31, 2008. To show that its operating revenues and expenses have not dramatically changed since 2008, Wood Creek provided a comparison of the income statements for the calendar years 2008, 2009, and 2010.<sup>1</sup> Upon reviewing the income statement comparison, Staff recommends the Commission accept the calendar year 2008 as the test period in this proceeding.

The scope of Staff's review was limited to obtaining information as to whether the test period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed. Mark Frost and Sam Reid of the Commission's Division of Financial Analysis performed the limited review. This report summarizes Staff's review and recommendations. Mr. Reid is responsible for the pro forma revenue adjustment, the Cost-of-Service Study, and the calculation of the recommended rates. Mr. Frost is responsible for all pro forma expense adjustments, the revenue requirement determination, and the line-loss surcharge.

---

<sup>1</sup> Application, Exhibit 12, Income Statement Comparison for calendar years 2008, 2009, and 2010.

Upon completion of its limited review, Staff assisted Wood Creek in the preparation of its rate application, which Wood Creek filed with the Commission on August 10, 2011. Staff finds that Wood Creek's application accurately reports its test-period operations and the proposed pro forma adjustments meet the ratemaking criteria of known and measurable. Appendix A is Wood Creek's pro forma operating income statement. Appendix B contains an explanation of each pro forma adjustment accepted by Staff.

As shown in Table 1, Wood Creeks requested pro forma operations supports a revenue requirement from rates of \$4,810,329, an increase of \$989,657 or 25.9 percent above the normalized revenue from rates of \$3,820,672.

|                                       | Debt Service        | Coverage | Revenue Requirement |
|---------------------------------------|---------------------|----------|---------------------|
| Debt Service Coverage - KRWA Bonds    | \$ 657,742          | x 0.1 =  | \$ 65,774           |
| Debt Service Coverage - RD Bonds      | 540,267             | x 0.2 =  | 108,053             |
| Total Debt Service Coverage           | <u>\$ 1,198,009</u> |          | \$ 173,827          |
| Debt Service - KRWA & RD Bonds        |                     |          | 1,198,009           |
| Add: Pro Forma Operating Expenses     |                     |          | 2,575,164           |
| Depreciation                          |                     |          | 938,507             |
| Taxes Other Than Income               |                     |          | 72,346              |
| Total Revenue Requirement             |                     |          | \$ 4,957,853        |
| Less: Other Income & Deductions       |                     |          | 59,879              |
| Revenue Requirement from Operations   |                     |          | \$ 4,897,974        |
| Less: Other Operating Revenues        |                     |          | 87,645              |
| Revenue Requirement from Water Sales  |                     |          | \$ 4,810,329        |
| Less: Pro Forma Revenue - Water Sales |                     |          | 3,820,672           |
| <b>Requested Increase</b>             |                     |          | <b>\$ 989,657</b>   |
| <b>Percentage Increase</b>            |                     |          | <b>25.903%</b>      |

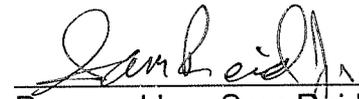
Staff's recommended revenue requirement from water sales will allow Wood Creek to cover its pro forma operating expenses, meet its debt service requirements, and provide for future equity growth. The rates proposed by Wood Creek, as set forth in Appendix C, are supported by a cost-of-service study. Based upon adjusted test-period

water sales, these rates will produce revenues of \$4,810,329. Therefore, Staff recommends that the Commission accept those rates.

Signatures



Prepared by: Mark C. Frost  
Financial Analyst, Water and Sewer  
Revenue Requirements Branch  
Division of Financial Analysis



Prepared by: Sam Reid  
Rate Analyst, Communications, Water  
and Sewer Rate Design Branch  
Division of Financial Analysis

APPENDIX A  
STAFF REPORT CASE NO. 2011-00209  
PRO FORMA OPERATIONS

|  | Test-Period<br>Operations | Pro Forma<br>Adjustments | Adj.<br>Ref | Pro Forma<br>Operations |
|--|---------------------------|--------------------------|-------------|-------------------------|
| <b>Operating Revenues:</b>                   |                           |                          |             |                         |
| Revenues - Sales of Water                    | \$ 3,822,025              | \$ (1,353)               | (a)         | \$ 3,820,672            |
| <b>Other Operating Revenues:</b>             |                           |                          |             |                         |
| Miscellaneous Service Revenues               | 87,645                    | 0                        |             | 87,645                  |
| <b>Total Operating Revenues</b>              | <b>\$ 3,909,670</b>       | <b>\$ (1,353)</b>        |             | <b>\$ 3,908,317</b>     |
| <b>Operating Expenses:</b>                   |                           |                          |             |                         |
| <b>Operation &amp; Maintenance:</b>          |                           |                          |             |                         |
| Salaries & Wages - Employees                 | \$ 1,349,525              | \$ (545,144)             | (b)         | \$ 804,381              |
| Salaries & Wages - Officers                  | 0                         | 6,750                    | (c)         | 6,750                   |
| Employee Pension & Benefits                  | 0                         | 405,172                  | (d)         | 405,172                 |
| Purchased Power                              | 376,969                   | 0                        |             | 376,969                 |
| Chemicals                                    | 300,513                   | 0                        |             | 300,513                 |
| Materials & Supplies                         | 552,517                   | (154,747)                | (e)         | 397,770                 |
| Contractual Services - Accounting            | 12,000                    | 0                        |             | 12,000                  |
| Contractual Services - Legal                 | 4,050                     | 0                        |             | 4,050                   |
| Contractual Services - Water Testing         | 10,678                    | 0                        |             | 10,678                  |
| Transportation                               | 103,566                   | 0                        |             | 103,566                 |
| Insurance - Vehicle                          | 22,991                    | (12,291)                 | (f)         | 10,700                  |
| Insurance - Gen. Liability                   | 25,039                    | (3,233)                  | (g)         | 21,806                  |
| Insurance - Worker's Compensation            | 41,650                    | (20,388)                 | (h)         | 21,262                  |
| Insurance - Other                            | 23,515                    | 11,390                   | (i)         | 34,905                  |
| Bad Debt                                     | 17,838                    | 0                        |             | 17,838                  |
| Miscellaneous                                | 46,804                    | 0                        |             | 46,804                  |
| <b>Total Operation &amp; Maintenance</b>     | <b>\$ 2,887,655</b>       | <b>\$ (312,491)</b>      |             | <b>\$ 2,575,164</b>     |
| Depreciation                                 | 757,539                   | 180,968                  | (j)         | 938,507                 |
| <b>Taxes Other Than Income:</b>              |                           |                          |             |                         |
| Public Service Com. Assessment               | 6,752                     | 0                        |             | 6,752                   |
| Payroll Taxes                                | 0                         | 64,708                   | (k)         | 64,708                  |
| Other Taxes and Licenses                     | 886                       | 0                        |             | 886                     |
| <b>Utility Operating Expenses</b>            | <b>\$ 3,652,832</b>       | <b>\$ (66,815)</b>       |             | <b>\$ 3,586,017</b>     |
| <b>Net Utility Operating Income</b>          | <b>\$ 256,838</b>         | <b>\$ 65,462</b>         |             | <b>\$ 322,300</b>       |
| <b>Other Income &amp; Deductions:</b>        |                           |                          |             |                         |
| Merchandising Revenues                       | 1,772,280                 | 0                        |             | 1,772,280               |
| Merchandising Expenses                       | (1,763,623)               | 0                        |             | (1,763,623)             |
| Interest Income                              | 51,222                    | 0                        |             | 51,222                  |
| <b>Total Other Income &amp; Deductions</b>   | <b>\$ 59,879</b>          | <b>\$ 0</b>              |             | <b>\$ 59,879</b>        |
| <b>Net Income Available for Debt Service</b> | <b>\$ 316,717</b>         | <b>\$ 65,462</b>         |             | <b>\$ 382,179</b>       |

APPENDIX B  
STAFF REPORT CASE NO. 2011-00209  
PRO FORMA ADJUSTMENTS

(a) **Revenue from Water Sales:** This adjustment reflects the results of Commission Staff's billing analysis and the current rates.

|  | Customers | Gallons       | Amount       |
|--|-----------|---------------|--------------|
| Normalized Revenue from Water Sales - Existing | 5,182     | 1,151,065,087 | \$ 3,820,672 |
| Less: Reported Revenue from Water Sales        |           |               | 3,822,025    |
| Pro Forma Adjustment                           |           |               | \$ (1,353)   |

(b) **Salaries & Wages - Employees:** This adjustment reflects the test period actual hours and the pay rates that became effective in 2008 and 2009. Capitalized wages were eliminated and 52 percent of the total wages are allocated to other operations.

| TITLE                             | Wage     | 2008 HOURS WORKED |        | Pro Forma |
|-----------------------------------|----------|-------------------|--------|-----------|
|                                   | Rates    | Reg.              | O-TIME |           |
| Plant Operator                    | \$ 18.52 | 2,087             | 184    | \$ 43,763 |
| Chief Plant Operator              | \$ 25.75 | 2,128             | 40     | 56,341    |
| Foreman over Meter Readers        | \$ 21.62 | 2,083             | 86     | 47,823    |
| Maintenance                       | \$ 23.14 | 2,162             | 41     | 51,452    |
| Superintendent                    | \$ 31.01 | 2,082             | 0      | 64,563    |
| Asst. Superintendent, Maint. Dir. | \$ 26.86 | 2,082             | 0      | 55,923    |
| Plant Operator                    | \$ 12.96 | 1,917             | 118    | 27,138    |
| Maintenance                       | \$ 13.27 | 1,873             | 7      | 24,994    |
| Foreman at Boat Dock              | \$ 17.78 | 2,202             | 0      | 39,152    |
| Maintenance Foreman               | \$ 20.45 | 2,168             | 78     | 46,729    |
| Plant Operator                    | \$ 17.02 | 2,145             | 170    | 40,848    |
| Plant Operator                    | \$ 19.30 | 2,107             | 140    | 44,718    |
| Maintenance / Warehouse           | \$ 17.43 | 2,082             | 10     | 36,550    |
| Maintenance                       | \$ 19.93 | 2,121             | 18     | 42,810    |
| Office Manager                    | \$ 26.68 | 2,081             | 0      | 55,521    |
| Customer Service & Accounting     | \$ 18.62 | 2,081             | 0      | 38,748    |
| Customer Service                  | \$ 9.86  | 2,081             | 0      | 20,519    |
| Customer Service                  | \$ 17.40 | 2,083             | 0      | 36,244    |
| Customer Service                  | \$ 12.31 | 2,081             | 0      | 25,617    |
| Customer Service                  | \$ 14.17 | 2,081             | 0      | 29,488    |
| Customer Service                  | \$ 15.08 | 2,081             | 0      | 31,381    |
| Asst. Office Mgr. & CPA           | \$ 26.73 | 2,081             | 0      | 55,625    |
| Maintenance                       | \$ 15.74 | 2,082             | 250    | 38,674    |

|                                      |    |       |       |     |              |
|--------------------------------------|----|-------|-------|-----|--------------|
| Customer Service                     | \$ | 10.65 | 2,136 | 0   | 22,748       |
| Meter Reader                         | \$ | 16.13 | 2,122 | 114 | 36,986       |
| Engineering & Project Coord.         | \$ | 19.83 | 2,082 | 24  | 42,000       |
| Meter Reader                         | \$ | 11.95 | 2,140 | 274 | 30,484       |
| Maintenance                          | \$ | 17.01 | 2,076 | 46  | 36,487       |
| Maintenance & Meter Testing          | \$ | 17.00 | 2,173 | 102 | 39,542       |
| Maintenance                          | \$ | 15.22 | 2,122 | 29  | 32,959       |
| Plant Operator                       | \$ | 15.65 | 2,067 | 118 | 35,119       |
| Maintenance Foreman                  | \$ | 23.45 | 2,207 | 206 | 59,000       |
| Maintenance                          | \$ | 12.78 | 2,061 | 134 | 28,909       |
| Maintenance                          | \$ | 14.46 | 2,018 | 6   | 29,310       |
| Maintenance & GPS Mapping            | \$ | 16.35 | 2,082 | 114 | 36,837       |
| Valve Maintenance                    | \$ | 16.27 | 2,171 | 102 | 37,811       |
| Maintenance                          | \$ | 18.20 | 2,104 | 115 | 41,433       |
| Meter Reader                         | \$ | 11.14 | 2,082 | 27  | 23,644       |
| Meter Reader                         | \$ | 11.41 | 2,098 | 41  | 24,640       |
| Laboratory                           | \$ | 18.72 | 2,096 | 0   | 39,237       |
| Plant Operator                       | \$ | 11.44 | 2,081 | 104 | 25,592       |
| Meter Reader                         | \$ | 13.99 | 2,122 | 17  | 30,044       |
| Meter Reader                         | \$ | 10.41 | 2,082 | 18  | 21,955       |
| Maintenance                          | \$ | 14.82 | 2,088 | 199 | 35,368       |
| Meter Reader                         | \$ | 9.84  | 2,084 | 45  | 21,171       |
| Maintenance                          | \$ | 8.00  | 644   | 7   | 5,236        |
| Maintenance                          | \$ | 8.00  | 492   | 8   | 4,032        |
| Boat Dock Operations                 | \$ | 8.00  | 257   | 0   | 2,056        |
| Boat Dock Operations                 | \$ | 8.00  | 1,145 | 0   | 9,160        |
| Boat Dock Operations                 | \$ | 8.00  | 1,098 | 0   | 8,784        |
| Boat Dock Operations                 | \$ | 8.00  | 1,080 | 0   | 8,640        |
| Boat Dock Operations                 | \$ | 8.00  | 544   | 0   | 4,352        |
| Boat Dock Operations                 | \$ | 8.00  | 26    | 0   | 208          |
| Total Pro Forma Payroll              |    |       |       |     | \$ 1,728,365 |
| Less: Capitalized Wages              |    |       |       |     | (19,012)     |
| Allocated Payroll - Other Operations |    |       |       |     | (904,972)    |
| Pro Forma Salaries & Wages           |    |       |       |     | 804,381      |
| Less: Test-Period Salaries & Wages   |    |       |       |     | (1,349,525)  |
| Pro Forma Adjustment                 |    |       |       |     | \$ (545,144) |

(c) **Salaries & Wages - Officers:** This adjustment reflects the annual salary paid to the District's Commissioners.

| Employee Position               | Monthly<br>Fee | Pro Forma Salaries & Wages |             |                 |
|---------------------------------|----------------|----------------------------|-------------|-----------------|
|                                 |                | Regular                    | Overtime    | Totals          |
| Chairman                        | \$ 300         | \$ 2,250                   | \$ 0        | \$ 2,250        |
| Treasurer                       | \$ 300         | 2,250                      | 0           | 2,250           |
| Secretary                       | \$ 300         | 2,250                      | 0           | 2,250           |
| Pro Forma Payroll Totals        |                | <u>\$ 6,750</u>            | <u>\$ 0</u> | <u>\$ 6,750</u> |
| Pro Forma Payroll - Employees   |                |                            |             | \$ 6,750        |
| Less: Reported Wages & Salaries |                |                            |             | 0               |
| Pro Forma Adjustment            |                |                            |             | <u>\$ 6,750</u> |

(d) **Employee Pensions & Benefits:** This adjustment reflects the current retirement contribution rate and the employee insurance premiums. Capitalized pensions & benefits were eliminated and 52 percent of the total has been allocated to other operations.

| Employee Position                 | Employee Health Insurance |                   |                | Totals    |
|-----------------------------------|---------------------------|-------------------|----------------|-----------|
|                                   | Employer<br>Cost          | Annual<br>Expense | CERS<br>0.1616 |           |
| Plant Operator                    | \$ 1,137                  | \$ 13,644         | \$ 7,072       | \$ 20,716 |
| Chief Plant Operator              | 0                         | 0                 | 9,105          | 9,105     |
| Foreman over Meter Readers        | 108                       | 1,296             | 7,728          | 9,024     |
| Maintenance                       | 108                       | 1,296             | 8,315          | 9,611     |
| Superintendent                    | 1,193                     | 14,321            | 10,433         | 24,754    |
| Asst. Superintendent, Maint. Dir. | 1,677                     | 20,124            | 9,037          | 29,161    |
| Plant Operator                    | 1,677                     | 20,124            | 4,386          | 24,510    |
| Maintenance                       | 1,677                     | 20,124            | 4,039          | 24,163    |
| Foreman at Boat Dock              | 108                       | 1,296             | 6,327          | 7,623     |
| Maintenance Foreman               | 1,137                     | 13,644            | 7,551          | 21,195    |
| Plant Operator                    | 1,137                     | 13,644            | 6,601          | 20,245    |
| Plant Operator                    | 1,137                     | 13,644            | 7,226          | 20,870    |
| Maintenance / Warehouse           | 1,137                     | 13,644            | 5,906          | 19,550    |
| Maintenance                       | 1,137                     | 13,644            | 6,918          | 20,562    |
| Office Manager                    | 164                       | 1,973             | 8,972          | 10,945    |
| Customer Service & Accounting     | 1,677                     | 20,124            | 6,262          | 26,386    |
| Customer Service                  | 598                       | 7,176             | 3,316          | 10,492    |
| Customer Service                  | 1,137                     | 13,644            | 5,857          | 19,501    |

|                              |                  |                   |                   |                   |
|------------------------------|------------------|-------------------|-------------------|-------------------|
| Customer Service             | 598              | 7,176             | 4,140             | 11,316            |
| Customer Service             | 598              | 7,176             | 4,765             | 11,941            |
| Customer Service             | 1,137            | 13,644            | 5,071             | 18,715            |
| Asst. Office Mgr. & CPA      | 1,677            | 20,124            | 8,989             | 29,113            |
| Maintenance                  | 1,677            | 20,124            | 6,250             | 26,374            |
| Customer Service             | 598              | 7,176             | 3,676             | 10,852            |
| Meter Reader                 | 1,137            | 13,644            | 5,977             | 19,621            |
| Engineering & Project Coord. | 1,677            | 20,124            | 6,787             | 26,911            |
| Meter Reader                 | 598              | 7,176             | 4,926             | 12,102            |
| Maintenance                  | 1,677            | 20,124            | 5,896             | 26,020            |
| Maintenance & Meter Testing  | 1,677            | 20,124            | 6,390             | 26,514            |
| Maintenance                  | 1,137            | 13,644            | 5,326             | 18,970            |
| Plant Operator               | 1,677            | 20,124            | 5,675             | 25,799            |
| Maintenance Foreman          | 1,137            | 13,644            | 9,534             | 23,178            |
| Maintenance                  | 1,677            | 20,124            | 4,672             | 24,796            |
| Maintenance                  | 1,677            | 20,124            | 4,736             | 24,860            |
| Maintenance & GPS Mapping    | 598              | 7,176             | 5,953             | 13,129            |
| Valve Maintenance            | 598              | 7,176             | 6,110             | 13,286            |
| Maintenance                  | 1,137            | 13,644            | 6,696             | 20,340            |
| Meter Reader                 | 1,137            | 13,644            | 3,821             | 17,465            |
| Meter Reader                 | 1,677            | 20,124            | 3,982             | 24,106            |
| Laboratory                   | 1,677            | 20,124            | 6,341             | 26,465            |
| Plant Operator               | 598              | 7,176             | 4,136             | 11,312            |
| Meter Reader                 | 1,137            | 13,644            | 4,855             | 18,499            |
| Meter Reader                 | 1,677            | 20,124            | 3,548             | 23,672            |
| Maintenance                  | 1,137            | 13,644            | 5,715             | 19,359            |
| Meter Reader                 | 598              | 7,176             | 3,421             | 10,597            |
| Maintenance                  | 0                | 0                 | 846               | 846               |
| Maintenance                  | 0                | 0                 | 652               | 652               |
| Boat Dock Operations         | 0                | 0                 | 332               | 332               |
| Boat Dock Operations         | 0                | 0                 | 1,480             | 1,480             |
| Boat Dock Operations         | 0                | 0                 | 1,419             | 1,419             |
| Boat Dock Operations         | 0                | 0                 | 1,396             | 1,396             |
| Boat Dock Operations         | 0                | 0                 | 703               | 703               |
| Boat Dock Operations         | 0                | 0                 | 34                | 34                |
| TOTALS                       | <u>\$ 49,274</u> | <u>\$ 591,286</u> | <u>\$ 279,301</u> | <u>\$ 870,587</u> |

Total Pro Forma Payroll

\$ 870,587

Less: Capitalized Wages  
Allocated Payroll - Other Operations  
Pro Forma Salaries & Wages

(9,576)  
(455,839)  


---

\$ 405,172

(e) **Materials & Supplies:** This adjustment removes capital and nonrecurring expenditures that were incorrectly expensed and allocates 50 percent of the billing expenses to the sewer division.

| Account # | Vendor                       | Description                              | Amount      |
|-----------|------------------------------|--|-------------|
| 620-4     | Southern Sales Company       | 6 - 6" Valves for Treatment Plant        | \$ (12,120) |
| 620-4     | Delaney & Associates         | Rotor for Treatment Plant                | (1,055)     |
| 620-4     | USA Bluebook                 | Re-work Chemical Feed at Treatment Plant | (1,487)     |
| 620-4     | Charter Machine Company      | Sludge Press                             | (2,977)     |
| 620-4     | Hinkle Contracting           | Lay Block at Treatment Plant             | (1,110)     |
| 620-4     | Baily Excavating             | Work on Sludge Pond at Treatment Plant   | (3,645)     |
| 620-4     | USA Bluebook                 | Polymer System at Treatment Plant        | (6,130)     |
| 620-4     | Dezurik Water Controls       | Valve for Treatment Plant                | (1,875)     |
| 620-5     | Amburgey Alarm Sales & Serv. | Security System at Tanks                 | (2,818)     |
| 620-5     | Kentucky Steel & Utility     | Aluminum Hatches                         | (1,172)     |
| 620-3     | Bundy Maytag                 | Appliances at Treatment Plant            | (1,287)     |
| 620-3     | Tri County Industrial Supply | 2 Pressure Washers                       | (2,088)     |
| 620-3     | Cornerstone Controls         | Controls at Treatment Plant              | (1,941)     |
| 620-3     | Windstream                   | New Telephone at Treatment Plant         | (9,060)     |
| 620-3     | Fisher Scientific            | Lab Materials                            | (19,223)    |
| 620-3     | Fisher Scientific            | Lab Materials                            | (202)       |
| 620-3     | Fisher Scientific            | Lab Materials                            | (6,426)     |
| 620-3     | Fisher Scientific            | Lab Materials                            | (3,228)     |
| 620-3     | MasterCard                   | Replacement Blower at Treatment Plant    | (2,361)     |
| 620-3     | Delaney & Associates         | Pump & Motor                             | (2,148)     |
| 620-3     | Jones Excavating             | Channel Liner at Treatment Plant         | (1,029)     |
| 620-3     | Fisher Scientific            | Lab Materials                            | (2,678)     |
| 620-6     | Stauffer Pump & Supply       | Replace Pump at Pump Station             | (1,394)     |
| 620-6     | Anthony Smith                | Settlement Payment - Damages in Accident | (1,725)     |
| 620-6     | Dixie Truss                  | Trusses to repair Damaged Building       | (3,367)     |
| 620-6     | Stauffer Pump & Supply       | Replace Pump at Pump Station             | (1,704)     |
| 620-6     | MasterCard                   | Pressure Washer                          | (3,953)     |
| 620-6     | Price Backhoe Service        | 65 Foot 12" Bore                         | (5,460)     |
| 620-6     | Master Stripers, LLC         | Repair and Paint Building                | (14,550)    |

|                      |                         |                                   |                     |
|----------------------|-------------------------|-----------------------------------|---------------------|
| 620-6                | Rush's Steel Fab. Shop  | 4 Pieces of 12" Pipe              | (6,050)             |
| 620-6                | Smiths Gutters & Siding | Repair Gutters at Warehouse       | (3,420)             |
| 620-6                | Stauffer Pump & Supply  | Valve for Water Tank              | (4,551)             |
| 620-6                | Ferguson Waterworks     | Materials for Meter Testing Bench | (3,520)             |
| Pro Forma Adjustment |                         |                                   | <u>\$ (135,754)</u> |

|  |                            |
|--|----------------------------|
| Customer Billing Expense               | \$ 37,985                  |
| Multiplied by: Sewer Allocation Factor | <u>50.000%</u>             |
| Allocation of Billing Expenses         | <u>(18,993)</u>            |
| Pro Forma Adjustment                   | <u><u>\$ (154,747)</u></u> |

(f) **Insurance - Vehicle:** This adjustment reflects the current premium for vehicle insurance adjusted to remove a capitalized amount and staff allocated 52 percent of the premium to other operations.

| Insurance                            | Policy Period |          | Premium                   |
|--------------------------------------|---------------|----------|---------------------------|
|                                      | From          | To       |                           |
| Premium                              | 07/01/09      | 07/01/10 | \$ 22,991                 |
| Less: Capitalized Vehicle            |               |          | (253)                     |
| Allocated Vehicle - Other Operations |               |          | <u>(12,038)</u>           |
| Pro Forma Insurance - Vehicle        |               |          | \$ 10,700                 |
| Less: Reported Insurance - Vehicle   |               |          | <u>22,991</u>             |
| Pro Forma Adjustment                 |               |          | <u><u>\$ (12,291)</u></u> |

(g) **Insurance - General Liability:** This adjustment reflects the current premiums for general liability insurance.

| Insurance                        | Premium                  |
|----------------------------------|--------------------------|
| Commercial Property              | \$ 5,607                 |
| General Liability                | 6,334                    |
| Comm. Liability Insurance        | 2,135                    |
| Business Auto                    | 8,978                    |
| Encroachment Bond                | 633                      |
| Invoice Total                    | <u>152</u>               |
|                                  | \$ 23,839                |
| Less: Reported Insurance - Other | <u>27,072</u>            |
| Pro Forma Adjustment             | <u><u>\$ (3,233)</u></u> |

- (h) **Insurance - Workers Compensation:** This adjustment reflects the current premiums for workers compensation insurance. Capitalized premiums were eliminated and 52 percent of the total premiums are allocated to other operations.

| Insurance                                  | Policy Period |          | Premium     |
|--|---------------|----------|-------------|
|  | From          | To       |             |
| Premium                                    | 07/01/09      | 07/01/10 | \$ 45,687   |
| Less: Capitalized Workers' Comp.           |               |          | (503)       |
| Allocated Workers Comp. - Other Operations |               |          | (23,922)    |
| Pro Forma Workers' Comp.                   |               |          | \$ 21,262   |
| Less: Reported Workers' Comp Ins.          |               |          | 41,650      |
| Pro Forma Adjustment                       |               |          | \$ (20,388) |

- (i) **Insurance - Other:** This adjustment reflects allocating 86 percent of the commercial property insurance to the water division based upon the ratio of UPIS.

| Insurance<br>Commercial Property              | Policy Period |    | Premium       |
|---|---------------|----|---------------|
|   | From          | To |               |
| Water Division - Allocation Percentage        |               |    | \$ 40,537     |
| Water Division - Commercial Property Premium  |               |    | 86.106%       |
| Less: Reported Insurance - Other              |               |    | \$ 34,905     |
| Pro Forma Adjustment                          |               |    | 23,515        |
|   |               |    | \$ 11,390     |
| Water Division - Net Utility Plant In Service |               |    | \$ 29,867,676 |
| Sewer Division - Net Utility Plant In Service |               |    | 4,819,284     |
| Total - Net Utility Plant In Service          |               |    | \$ 34,686,960 |
| Water Division - Net Utility Plant In Service |               |    | \$ 29,867,676 |
| Total - Net Utility Plant In Service          |               |    | 34,686,960    |
| Water Division - Allocation Percentage        |               |    | 86.106%       |

(j)

**Depreciation:** This adjustment includes: (1) full year depreciation on test-period plant additions; and (2) depreciation for the capital items removed from test-period operations.

|   | Test Period | Original     | Pro Forma Depreciation |            |            |
|---|-------------|--------------|------------------------|------------|------------|
|   | Dep. Exp.   | Cost         | Life                   | Expense    | Adjustment |
| <b>(1) Normalized Depreciation (Full Year):</b>           |             |              |                        |            |            |
| New Water Treatment Plant                                 | \$ 61,459   | \$ 6,145,882 | 50                     | \$ 122,918 | \$ 61,459  |
| Cabinets at Plant   | \$ 185      | \$ 8,900     | 40                     | \$ 223     | 38         |
| 3 Ton HP/Duct PTS/Lab                                     | \$ 93       | \$ 4,480     | 40                     | \$ 112     | 19         |
| Plant & Office Shelving                                   | \$ 29       | \$ 1,400     | 40                     | \$ 35      | 6          |
| Warehouse Heat Pump                                       | \$ 37       | \$ 2,000     | 40                     | \$ 50      | 13         |
| Roof Storage Building                                     | \$ 47       | \$ 2,800     | 40                     | \$ 70      | 23         |
| Road to sludge Dump                                       | \$ 0        | \$ 7,036     | 20                     | \$ 352     | 352        |
| Top Soil Bin  | \$ 0        | \$ 23,279    | 40                     | \$ 582     | 582        |
| Water Treatment Equip - New Plant                         | \$ 77,370   | \$ 6,189,620 | 40                     | \$ 154,741 | 77,371     |
| Transmission & Distribution Mains                         | \$ 18,098   | \$ 1,809,866 | 50                     | \$ 36,197  | 18,099     |
| Services  | \$ 1,511    | \$ 60,436    | 20                     | \$ 3,022   | 1,511      |
| Meters  | \$ 527      | \$ 21,073    | 20                     | \$ 1,054   | 527        |
| Hydrants  | \$ 159      | \$ 6,350     | 20                     | \$ 318     | 159        |
| Chairs  | \$ 398      | \$ 5,308     | 10                     | \$ 531     | 133        |
| Office Copier   | \$ 101      | \$ 3,039     | 10                     | \$ 304     | 203        |
| 2008 Dodge Ram Pickup                                     | \$ 4,910    | \$ 26,186    | 4                      | \$ 6,547   | 1,637      |
| 2008 Dodge Ram Pickup                                     | \$ 4,910    | \$ 26,186    | 4                      | \$ 6,547   | 1,637      |
| Dump Truck  | \$ 0        | \$ 56,880    | 10                     | \$ 5,688   | 5,688      |
| Warehouse Alarm   | \$ 380      | \$ 4,557     | 10                     | \$ 456     | 76         |
| LCD Monitor   | \$ 45       | \$ 273       | 5                      | \$ 55      | 10         |
| Overbilt Trailer  | \$ 1,061    | \$ 25,457    | 10                     | \$ 2,546   | 1,485      |
| <b>(2) Depreciation - Capital Items Expensed in 2008:</b> |             |              |                        |            |            |
| 6 - 6" Valves for Treatment Plant                         |             |              | \$ 12,120              | 27         | 449        |
| Rotor for Treatment Plant                                 |             |              | \$ 1,055               | 27         | 39         |
| Re-work Chemical Feed at Treatment Plant                  |             |              | \$ 1,487               | 27         | 55         |
| Sludge Press  |             |              | \$ 2,977               | 27         | 110        |
| Lay Block at Treatment Plant                              |             |              | \$ 1,110               | 37         | 30         |
| Work on Sludge Pond at Treatment Plant                    |             |              | \$ 3,645               | 5          | 729        |
| Polymer System at Treatment Plant                         |             |              | \$ 6,130               | 27         | 227        |
| Valve for Treatment Plant                                 |             |              | \$ 1,875               | 27         | 69         |
| Security System at Tanks                                  |             |              | \$ 2,818               | 12         | 235        |

|  |    |        |    |                   |
|--|----|--------|----|-------------------|
| Aluminum Hatches                         | \$ | 1,172  | 37 | 32                |
| Appliances at Treatment Plant            | \$ | 1,287  | 5  | 257               |
| 2 Pressure Washers                       | \$ | 2,088  | 5  | 418               |
| Controls at Treatment Plant              | \$ | 1,941  | 27 | 72                |
| New Telephone at Treatment Plant         | \$ | 9,060  | 5  | 1,812             |
| Lab Materials                            | \$ | 19,223 | 17 | 1,131             |
| Lab Materials                            | \$ | 202    | 17 | 12                |
| Lab Materials                            | \$ | 6,426  | 17 | 378               |
| Lab Materials                            | \$ | 3,228  | 17 | 190               |
| Replacement Blower at Treatment Plant    | \$ | 2,361  | 27 | 87                |
| Pump & Motor                             | \$ | 2,148  | 27 | 80                |
| Channel Liner at Treatment Plant         | \$ | 1,029  | 27 | 38                |
| Lab Materials                            | \$ | 2,678  | 17 | 158               |
| Replace Pump at Pump Station             | \$ | 1,394  | 20 | 70                |
| Settlement Payment - Damages in Accident | \$ | 1,725  | 5  | 345               |
| Trusses to repair Damaged Building       | \$ | 3,367  | 37 | 91                |
| Replace Pump at Pump Station             | \$ | 1,704  | 20 | 85                |
| Pressure Washer                          | \$ | 3,953  | 5  | 791               |
| 65 Foot 12" Bore                         | \$ | 5,460  | 27 | 202               |
| Repair and Paint Building                | \$ | 14,550 | 27 | 539               |
| 4 Pieces of 12" Pipe                     | \$ | 6,050  | 50 | 121               |
| Repair Gutters at Warehouse              | \$ | 3,420  | 5  | 684               |
| Valve for Water Tank                     | \$ | 4,551  | 27 | 169               |
| Materials for Meter Testing Bench        | \$ | 3,520  | 15 | 235               |
| Pro Forma Adjustment                     |    |        |    | <u>\$ 180,968</u> |

(k) **Payroll Taxes:** This adjustment computes payroll taxes using the normalized payroll.

| TITLE                             | Pro Forma<br>Payroll | St. Unemp.<br>\$ 7,000<br>0.80% | Fed. Unemp<br>\$ 8,000<br>1.00% | FICA<br>\$ 76,000<br>7.65% | Total<br>Payroll<br>Taxes |
|-----------------------------------|----------------------|---------------------------------|---------------------------------|----------------------------|---------------------------|
| Plant Operator                    | \$ 43,763            | \$ 56                           | \$ 80                           | \$ 3,348                   | \$ 3,484                  |
| Chief Plant Operator              | 56,341               | 56                              | 80                              | 4,310                      | 4,446                     |
| Foreman over Meter Readers        | 47,823               | 56                              | 80                              | 3,658                      | 3,794                     |
| Maintenance                       | 51,452               | 56                              | 80                              | 3,936                      | 4,072                     |
| Superintendent                    | 64,563               | 56                              | 80                              | 4,939                      | 5,075                     |
| Asst. Superintendent, Maint. Dir. | 55,923               | 56                              | 80                              | 4,278                      | 4,414                     |
| Plant Operator                    | 27,138               | 56                              | 80                              | 2,076                      | 2,212                     |

|                               |        |    |    |       |       |
|-------------------------------|--------|----|----|-------|-------|
| Maintenance                   | 24,994 | 56 | 80 | 1,912 | 2,048 |
| Foreman at Boat Dock          | 39,152 | 56 | 80 | 2,995 | 3,131 |
| Maintenance Foreman           | 46,729 | 56 | 80 | 3,575 | 3,711 |
| Plant Operator                | 40,848 | 56 | 80 | 3,125 | 3,261 |
| Plant Operator                | 44,718 | 56 | 80 | 3,421 | 3,557 |
| Maintenance / Warehouse       | 36,550 | 56 | 80 | 2,796 | 2,932 |
| Maintenance                   | 42,810 | 56 | 80 | 3,275 | 3,411 |
| Office Manager                | 55,521 | 56 | 80 | 4,247 | 4,383 |
| Customer Service & Accounting | 38,748 | 56 | 80 | 2,964 | 3,100 |
| Customer Service              | 20,519 | 56 | 80 | 1,570 | 1,706 |
| Customer Service              | 36,244 | 56 | 80 | 2,773 | 2,909 |
| Customer Service              | 25,617 | 56 | 80 | 1,960 | 2,096 |
| Customer Service              | 29,488 | 56 | 80 | 2,256 | 2,392 |
| Customer Service              | 31,381 | 56 | 80 | 2,401 | 2,537 |
| Asst. Office Mgr. & CPA       | 55,625 | 56 | 80 | 4,255 | 4,391 |
| Maintenance                   | 38,674 | 56 | 80 | 2,959 | 3,095 |
| Customer Service              | 22,748 | 56 | 80 | 1,740 | 1,876 |
| Meter Reader                  | 36,986 | 56 | 80 | 2,829 | 2,965 |
| Engineering & Project Coord.  | 42,000 | 56 | 80 | 3,213 | 3,349 |
| Meter Reader                  | 30,484 | 56 | 80 | 2,332 | 2,468 |
| Maintenance                   | 36,487 | 56 | 80 | 2,791 | 2,927 |
| Maintenance & Meter Testing   | 39,542 | 56 | 80 | 3,025 | 3,161 |
| Maintenance                   | 32,959 | 56 | 80 | 2,521 | 2,657 |
| Plant Operator                | 35,119 | 56 | 80 | 2,687 | 2,823 |
| Maintenance Foreman           | 59,000 | 56 | 80 | 4,514 | 4,650 |
| Maintenance                   | 28,909 | 56 | 80 | 2,212 | 2,348 |
| Maintenance                   | 29,310 | 56 | 80 | 2,242 | 2,378 |
| Maintenance & GPS Mapping     | 36,837 | 56 | 80 | 2,818 | 2,954 |
| Valve Maintenance             | 37,811 | 56 | 80 | 2,893 | 3,029 |
| Maintenance                   | 41,433 | 56 | 80 | 3,170 | 3,306 |
| Meter Reader                  | 23,644 | 56 | 80 | 1,809 | 1,945 |
| Meter Reader                  | 24,640 | 56 | 80 | 1,885 | 2,021 |
| Laboratory                    | 39,237 | 56 | 80 | 3,002 | 3,138 |
| Plant Operator                | 25,592 | 56 | 80 | 1,958 | 2,094 |
| Meter Reader                  | 30,044 | 56 | 80 | 2,298 | 2,434 |
| Meter Reader                  | 21,955 | 56 | 80 | 1,680 | 1,816 |
| Maintenance                   | 35,368 | 56 | 80 | 2,706 | 2,842 |
| Meter Reader                  | 21,171 | 56 | 80 | 1,620 | 1,756 |

|                      |                     |                 |                 |                   |                   |
|----------------------|---------------------|-----------------|-----------------|-------------------|-------------------|
| Maintenance          | 5,236               | 42              | 52              | 401               | 495               |
| Maintenance          | 4,032               | 32              | 40              | 308               | 380               |
| Boat Dock Operations | 2,056               | 16              | 21              | 157               | 194               |
| Boat Dock Operations | 9,160               | 56              | 80              | 701               | 837               |
| Boat Dock Operations | 8,784               | 56              | 80              | 672               | 808               |
| Boat Dock Operations | 8,640               | 56              | 80              | 661               | 797               |
| Boat Dock Operations | 4,352               | 35              | 44              | 333               | 412               |
| Boat Dock Operations | 208                 | 2               | 2               | 16                | 20                |
| Pro Forma Totals     | <u>\$ 1,728,365</u> | <u>\$ 2,815</u> | <u>\$ 3,999</u> | <u>\$ 132,223</u> | <u>\$ 139,037</u> |

|                                      |  |  |  |                  |
|--------------------------------------|--|--|--|------------------|
| Total Pro Forma Payroll              |  |  |  | \$ 139,037       |
| Less: Capitalized Wages              |  |  |  | (1,529)          |
| Allocated Payroll - Other Operations |  |  |  | (72,800)         |
| Pro Forma Payroll Taxes              |  |  |  | <u>\$ 64,708</u> |

APPENDIX C  
 STAFF REPORT CASE NO. 2011-00209  
 STAFF'S RECOMMENDED  
 RATES

5/8 Inch x 3/4 Inch Meter:

|       |               |    |       |                   |
|-------|---------------|----|-------|-------------------|
| First | 2,000 gallons | \$ | 20.69 | Minimum bill      |
| Next  | 1,500 gallons | \$ | 6.58  | per 1,000 gallons |
| Next  | 1,500 gallons | \$ | 5.87  | per 1,000 gallons |
| Next  | 2,500 gallons | \$ | 4.94  | per 1,000 gallons |
| Over  | 7,500 gallons | \$ | 3.90  | per 1,000 gallons |

1 Inch Meter:

|       |               |    |       |                   |
|-------|---------------|----|-------|-------------------|
| First | 5,000 gallons | \$ | 39.36 | Minimum bill      |
| Next  | 2,500 gallons | \$ | 4.94  | per 1,000 gallons |
| Over  | 7,500 gallons | \$ | 3.90  | per 1,000 gallons |

1 1/2 Inch Meter:

|       |                |    |       |                   |
|-------|----------------|----|-------|-------------------|
| First | 10,000 gallons | \$ | 61.42 | Minimum bill      |
| Over  | 10,000 gallons | \$ | 3.90  | per 1,000 gallons |

2 Inch Meter:

|       |                |    |        |                   |
|-------|----------------|----|--------|-------------------|
| First | 20,000 gallons | \$ | 100.32 | Minimum bill      |
| Over  | 20,000 gallons | \$ | 3.90   | per 1,000 gallons |

3 Inch Meter:

|       |                |    |        |                   |
|-------|----------------|----|--------|-------------------|
| First | 30,000 gallons | \$ | 139.22 | Minimum bill      |
| Over  | 30,000 gallons | \$ | 3.90   | per 1,000 gallons |

6 Inch Meter:

|       |                 |    |        |                   |
|-------|-----------------|----|--------|-------------------|
| First | 100,000 gallons | \$ | 411.55 | Minimum bill      |
| Over  | 100,000 gallons | \$ | 3.90   | per 1,000 gallons |

Wholesale User Rates:

|                               |  |    |      |                   |
|-------------------------------|--|----|------|-------------------|
| East Laurel Water District    |  | \$ | 2.92 | per 1,000 gallons |
| West Laurel Water Association |  | \$ | 2.92 | per 1,000 gallons |
| City Of Livingston            |  | \$ | 2.92 | per 1,000 gallons |

Honorable Larry G Bryson, P.S.C.  
318 West Dixie Street  
London, KENTUCKY 40741

Donta Evans  
Superintendent  
Wood Creek Water District  
P.O. Box 726  
London, KENTUCKY 40743